

Message Text

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ACTION NEA-11

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E.O. 11652: N/A
TAGS: EFIN, EG
SUBJECT: ASSEMBLY RECONSIDERS TAX BILL

REF: CAIRO 13867

SUMMARY: PEOPLES ASSEMBY COMMITTEE CHAIRED BY DEPUTY
SPEAKER GAMAL OTEIFY HAS SUBSTANTIALLY COMPLETED REVISION
OF PROPOSED TAX REFORM BILL SENT BACK TO LEGISLATURE BY
PRESIDENT SADAT MAY 29 WITH CRITICISM THAT LAW WOULD NOT
ACHIEVE "SOCIAL JUSTICE". BILL IN AMENDED FORM NOW
SLATED FOR REINTRODUCTION IN PA JUNE 10. END SUMMARY.

1. PROPOSED AMENDMENTS TO DRAFT TAX LAW RECEIVED CON-
SIDERABLE ATTENTION IN JUNE 8 LOCAL PRESS. AD HOC
ASSEMBLY COMMITTEE ON TAXATION WILL PRESENT REPORT ON NEW
TAX BILL TO PA ON JUNE 10. REPORT, ACCORDING PRESS, WILL
RECOMMEND SPECIAL "CONSOLIDATION OF SOCIAL SECURITY"
AMENDMENT TO DRAFT BILL AND WILL PROPOSE FOLLOWING:

- A. TAX EXEMPTIONS: PRESENT EXEMPTIONS FOR NIGHT
CLUBS, CASINOS AND BARS (INCLUDING THOSE IN HOTELS) WILL
BE ELIMINATED.
 - B. GENERAL INCOME TAX: ALL ARAB AND FOREIGN INVEST-
MENT VENTURES WILL BE FULLY TAXED AFTER EXPIRATION OF TAX
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HOLIDAY. LEGISLATURE ALSO CONSIDERING POSSIBLE ADDITIONAL
ONE-TIME SURCHARGE TO BE IMPOSED AT END OF TAX-FREE
PERIOD (A MEASURE WHICH WOULD CLEARLY NOT BE FAVORABLY
VIEWED BY INVESTORS). SALARIES OF BOARD DIRECTORS OF
TAX-EXEMPT FIRMS WILL BE SUBJECT TO TAX. EGYPTIANS
WORKING FOR FOREIGN ENTERPRISES IN EGYPT WILL NOT BE
GRANTED TAX-EXEMPT STATUS UNDER TERMS OF FUTURE INTER-

NATIONAL AGREEMENTS OR UPON RENEWAL OF EXISTING AGREEMENTS.

- C. WORK PERMIT TAX: PERMITS FOR WORK ABROAD WILL BE ASSESSED AN ANNUAL SURCHARGE OF L.E. 50.
- D. LUXURY CONSUMPTION TAX: 20 PERCENT SERVICE TAX WILL BE IMPOSED ON ALL HOTELS, RESORTS AND FURNISHED APARTMENTS.
- E. MOTOR VEHICLE TAX: TAXES ON MOTOR VEHICLES WILL INCREASED. PRIVATE INDIVIDUALS OR FAMILIES WITH MORE THAN ONE VEHICLE WILL BE TAXED AT A HIGHER RATE ON ADDITIONAL VEHICLE.
- F. TRAVEL TAX. A 10 PERCENT TRAVEL TAX WILL BE ADDED TO ADD TO TICKETS FOR INTERNATIONAL TRAVEL PURCHASED IN LOCAL CURRENCY.
- G. RESORT TAX: PRIVATE CHALETs AND CABINS IN RESORT AREAS WILL BE SUBJECT TO TAX EQUAL TO APPROXIMATELY 20 PERCENT OF ANNUAL RENT.

3. PM SALEM UNDERLINED GOVERNMENT DESIRE FOR SOCIAL "EQUALITY" AT MEETING WITH LEADING TAXATION OFFICIALS JUNE 7. PM REPORTEDLY STRESSED THAT TAX DEPARTMENT SHOULD ASSESS TAXES FAIRLY WITHOUT BEING OPPRESSIVE. IN ADDITION, SALEM PLEDGED THAT GOE WOULD HOLD THE LINE ON PRICES OF BASIC COMMODITIES AND SERVICES.

4. COMMENT: RECENT TAX LAW, REJECTED BY PRESIDENT ON GROUNDS THAT SOCIAL JUSTICE WAS NOT SERVED, WAS REFERRED TO PA IN LATE MAY (REFTEL). PA QUICKLY SHIFTED MEASURE LIMITED OFFICIAL USE

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TO AD HOC COMMITTEE UNDER LEADERSHIP DR. GAMAL EL OTEIFY FOR CONSIDERATION IN LIGHT OF PRESIDENT'S REMARKS. REPORT OF OTEIFY COMMITTEE APPEARS TO RECOMMEND MEASURES WHICH WOULD STRENGTHEN "SOAK THE RICH" PROVISIONS OF PRESENT BILL, WHILE AVOIDING LABORIOUS PROCESS OF MAJOR STRUCTURAL REFORM.

5. OTEIFY, IN OFF-RECORD CONVERSATION WITH AIDOFF JUNE 8, CONFIRMED PRESS REPORT THAT REVISED TAX REFORM BILL WILL BE INTRODUCED IN PA SATURDAY, JUNE 10. DESPITE PREVIOUS HEATED DEBATES OVER BILL, OTEIFY INDICATED HE EXPECTS FINAL ASSEMBLY ACTION TO BE TAKEN EARLY NEXT WEEK, COMMENTING THAT THIS HAS BECOME IMPORTANT PIECE OF LEGISLATION FOR SADAT, AS WELL AS PM SALEM, AND PRESSURE WILL BE PUT ON CENTER PARTY MEMBERS TO EXPEDITE PASSAGE OF REFORM MEASURES FOR TIMELY PRESIDENTIAL RECONSIDERATION AND APPROVAL. EILTS

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